

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact

Date: April 22, 2008

Bill Number: S.B. 241

Authors: Lourie; Knotts; Reese; Leventis, *et. al.*

Committee Requesting Impact: Senate Finance Committee

Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by adding Section 9-16-55 so as to require the Retirement System Investment Commission, acting consistently with its fiduciary responsibility, to divest its portfolio of investments in companies that in their operations are complicit with the government of Sudan in the Darfur genocide and prohibit future investments by the Commission in such companies, to provide definitions and procedures relating to the implementation of these requirements, to indemnify members, officers, and employees of the State Budget and Control Board and the Retirement System Investment Commission from claims arising from implementation of this section, and to provide for the circumstances under which provisions of this section no longer shall apply.

REVENUE IMPACT ^{1/}

This bill is not expected to impact General Fund revenue in FY2008-09. Divestiture of investments in companies operating in Sudan or through U.S. subsidiaries operating in Sudan would reallocate assets to other investment opportunities that are not expected to materially affect the overall investment return on the portfolio of the South Carolina Retirement Systems.

Explanation

Sudan gained its independence from the United Kingdom in 1956 and has since been embroiled in two civil wars. It is a nation slightly more than one-quarter the size of the U.S. with a population of over 40,000,000 people. In 1983, a civil conflict erupted in the western region of Darfur displacing nearly two million people and causing an estimated 200,000 to 400,000 deaths. The continued conflict between southern rebels and the Islamic-oriented government has obstructed humanitarian assistance to the region. This bill would add Section 9-16-55 to instruct the South Carolina Retirement System Investment Commission to not invest public employee retirement funds in a company with business operations in the Republic of Sudan or a company that supplies military equipment within the borders of Sudan. According to The Sudan Divestment Task Force, Amnesty International, the Yale Report, and other genocide resources, several companies warrant explanations. Comparing the investment portfolio of the South Carolina Retirement Systems with companies mentioned in the above reports, reveals that investments in Schlumberger, Cummins, Inc. and Weatherford International Limited merit attention. Nearly all of Schlumberger's business is related to oil and gas field services, mainly to members of the large oil consortiums in Sudan. In 2006, the state of Maine ordered the sale of all direct holdings in Schlumberger Ltd. stock. Cummins is a U.S. company that designs, manufactures, and distributes engines that have been found in Chinese-made tanks and military vehicles that have been used to fight the resistance forces in the Darfur region. The military vehicles were manufactured by Dongfeng Automobile Company of China and sold to the Sudan government on behalf of the Minister of Defense. Weatherford International Limited has provided oilfield services in Sudan through foreign subsidiaries of U.S. companies. This action skirts current U.S. sanctions that bar the vast majority of U.S. companies from operating in Sudan. Weatherford has agreed to cease operations in Sudan by the end of 2008 after reports of their operations were made public.

/s/ WILLIAM C. GILLESPIE, PH.D.

William C. Gillespie, Ph.D.
Chief Economist

Analyst: Martin

^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.